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OFFICE OF REPORTS AND ESTIMATES, CIA
FAR EAST/PACIFIC DIVISION

INTELLIGENCE HIGHLIGHTS NO. 91
8 MARCH to 14 MARCH 1950

SECTION I. SUMMARY OF FAR EAST TRENDS AND DEVELOPMENTS

In northern Korea, a puppet government report indicates remarkable gains at the halfway mark of the "2 Year Plan", although the problem of creating an efficient labor force continues (p. 2). In southern Korea, meanwhile, stormy preliminaries indicate that the "representative cabinet" bill before the National Assembly is doomed to failure (p. 3).

25X1 The Chinese Communists have promulgated a detailed program for the completion of their land reform program throughout all of China by 1952 (p. 3).

Reaction to the recent Vatican recognition of Bao Dai's regime in Indochina will present an important indication of whether the small but influential Catholic Vietnamese minority can be won from Ho's camp (p. 5).

NEWS NOTES

25X1 Tsinpu being double-tracked....New Nationalist cabinet.
 New faces in Burma's government....Java becomes "unitary state"....Romulo still hopeful on Conference....Australia seeks US-UK Pacific accord.

The marginal notations used in succeeding sections of this Weekly ("A", "B", or "C") indicate the importance of the items in D/FE opinion, with "A" representing the most important.

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SECTION II. DEVELOPMENTS IN SPECIFIED AREAS

KOREA

Report on puppet "2 Year Plan"--At the recently-convened 5th session of the Supreme People's Assembly in Pyongyang, "Minister of State Planning" CHONG Jun Taik reported the accomplishments of the first half of northern Korea's current Two Year Plan. Although couched in cryptic percentage figures, CHONG's report reveals remarkable progress in many sectors of the northern economy. A concrete example: the ammonium sulphate quota was "overproduced" by 40,000 tons, a figure which places 1949 fertilizer production at nearly 75% of pre-war capacity. Other "overproduced" quotas included iron and steel, non-ferrous metals refining, light industry, grains (excluding rice), fisheries, and construction materials.

"B"

CHONG reported that quotas were not met in hydro-electric power production, metals and coal mining, and the rice and bean crops. Failure to attain agricultural quotas is attributed to the severe drought in most of northeast Asia this summer. This same drought, together with the effects of plant deterioration and a lack of replacement parts, may account for the power shortage. Deficiencies in coal and metal mining, however, have been chronic in northern Korea for some time, despite strenuous Government efforts to overcome them. Various Cabinet decisions in 1949, permitting private operation of mining concessions and increased benefits for miners, have illustrated these governmental difficulties in the mining field. Since much of northern Korea's heavy industry depends primarily on raw materials derived from mining, it may be expected that future emphasis will be placed on increasing production of iron ore, pyrites, and coal.

A portion of CHONG's report elaborated Premier KIM Il Sung's November criticism of personnel deficiencies in the northern Korean economy. Although CHONG reiterated criticisms of management for failure both to pay workers according to their productivity under the so-called "Contract System", and to provide adequate working and living conditions for laborers, his most important attack was directed against certain industrial evils of recent appearance which are inherent in the socialized economy. CHONG took note of and criticized the economic phenomenon of "fluctuating productivity", a result of working against a quarterly quota, since, when the quarterly quota is achieved -- with both men and machines under severe strain -- a natural slacking off follows at the start of the next quarter. As one result of this constant harassment of man and machine, CHONG complained, the quality of production fell off in the race to meet quantitative quotas.

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In summary, Minister CHONG's speech reveals that although a considerable advance in output is being made in northern Korean industry, the puppet Republic's most serious economic problem -- development of an efficient labor force -- has not yet been solved.

Showdown on Rhee's power near--Fisticuffs and mass walkouts during south Korean National Assembly action on the proposed constitutional amendment establishing a "responsible cabinet" have thusfar prevented a final vote on the measure and have forced adjournment of the Assembly on two successive meeting days. On 13 March, pro-amendment forces in the Assembly won a first victory by forcing (102 to 75) a decision that the vote on the bill which sharply limits executive powers would be by secret ballot, since it was believed that many members of the ostensibly anti-amendment Great Korea Nationalist Party (GKNP) actually favored the amendment in secret. As balloting began, however, GKNP members -- apparently in an attempt to preserve party discipline -- displayed their blank ballots over the heads of the tellers before dropping them in the box. Democratic-Nationalist Assembly members, who are open supporters of the amendment, thereupon declared the balloting illegal and walked out en bloc, forcing the Chair to adjourn the Assembly session.

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Previous estimates that the disputed constitutional amendment will not obtain the necessary 132 votes for passage appear to be confirmed by the narrowness of the Assembly vote on the question of a secret ballot. The various forms of extreme pressure which Rhee has exerted against the amendment, together with the bitterness of the battle, probably have created such a schism between the Assembly and Rhee's administration that further effective cooperation between the two will be impossible until the next Assembly election, originally scheduled for 10 May, takes place.

CHINA

Land reform ordered for "newly liberated areas"--A land reform directive has been issued for the "newly liberated areas" of East, Central, South, Northwest, and Southwest China. In most of this area, land redistribution is to begin after the autumn harvest of 1950, if conditions are suitable, and, in any case, after the autumn harvest of 1951. Excepted are: (1) the Southwest, where land reform is not to be attempted until 1951, and (2) Sinkiang and other regions inhabited by large ethnic minorities, where land reform plans are to be formulated after the autumn harvest of 1951. Meanwhile, "preparations" for land reform are to go forward, the peasants are to be organized and Communist "cadres" are to be trained. The directive provides that, prior to the initiation of the land reform program, rents are to be reduced,

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top limits are to be put on food requisitions by both national and local governments, and all lands and properties are to be utilized and protected pending redistribution. This new directive, coupled with an October announcement calling for the completion of land reform in all of North China except Suiyuan during 1950, commits the Chinese Communist regime to a policy of carrying out its land reform program in almost all of China by late 1951 or early 1952.

Leaving aside the question of Communist "sincerity" in planning rural reform in view of their preoccupation with industrial development, serious obstacles confront the Communists in this ambitious program of completing the "agrarian revolution" throughout the huge expanse of "newly liberated China". Chief among the economic obstacles are: (1) the ever-present danger of a poor harvest; (2) the high incidence of tenancy in the rice areas of South China, as compared with North China; (3) the complicated system of land tenure and the inaccuracy of land records; (4) the indivisibility of irrigated rice fields and the need to maintain well-coordinated irrigation systems; and (5) the necessity for carrying out the reform quickly and simultaneously throughout an area, since the farmer will work reluctantly unless assured of harvesting rights. Other problems are: (1) a shortage of trained "land reform cadres", capable of winning mass support for the Communists and their program; (2) the opposition of influential secret societies and other locally entrenched defenders of the status quo; and (3) the difficulty of endorsing Communist policies over so vast and diversified an area.

It is expected that the Communists will move cautiously and initiate a moderate land reform in 1950 in selected areas where local conditions, and particularly harvests, have been favorable. The extension of reform in 1951 will depend on the successes or failures of 1950 and the regulations will doubtless be modified in accordance with 1950's experience. It is most unlikely, however, that the Chinese Communists will be able to complete the reform in all the areas within the time schedule of this directive.

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INDOCHINA

Catholic position in Vietnam--The recent Vatican recognition of Bao Dai's regime could strengthen the French-sponsored State of Vietnam if a substantial fraction of the million-odd Vietnamese Catholics accept the Vatican's decision as the cue to "correct" political alignment. Conversely, failure of the Catholic population to withdraw the active or passive loyalty which, on the whole, it has shown toward Ho Chi Minh's "Democratic Republic" would provide further evidence of Bao Dai's ability to live down his "puppet" stigma even in the eyes of the potentially most anti-Communist section of the Vietnamese population. The attitude adopted by such prominent Vietnamese Catholics as the influential Ngo Dinh Diem and Monsignor Le Huu Tu, whose bishopric in North Vietnam was recently brought under partial French control, will be of special importance in judging the popular reaction to the Vatican move.

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Despite the increasingly pro-Communist tenor of his propaganda, Ho has continued to strive to retain the good will of the Catholic population. The activities of Catholics participating in the Ho Government and the observation of traditional church holidays within Resistance territory are amply publicized by the Ho-controlled radio. Although the Catholics in Vietnam represent only a small fraction of the population, they constitute a large portion of the intellectual class, and the trend of their political thinking is quite influential. Their loyalties, which yet remain to be finally established, therefore, are of considerable significance both to Ho and to Bao Dai.

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NEWS NOTES

The Tientsin-Pukow railroad is being double-tracked by the Chinese Communists, an action that will reduce China's future dependence on coastal shipping. The almost complete cessation of coastal traffic between North China and the Yangtze River, at least partially as a result of the Nationalist "blockade", has overburdened the north-south Tsinpu line, which will need this increased capacity during the next few months in order both to handle large domestic movements of coal and foodstuffs and bring exports to the blockade-free ports of North China. Double-tracking of the Tsinpu was not a part of the Communist's severely limited 1950 railroad reconstruction program. The diversion of already scarce construction materials to the project, at the expense of the program in other areas, is an interesting example of flexibility on the part of Communist economic planners.

The new Chinese Nationalist Cabinet, headed by CHEN Cheng, a former Governor of Taiwan, was announced on 12 March. CC Clique members have several important posts. The predominance of those right-wing elements which have obstructed present Taiwan Governor K.C. WU's reform policies is reportedly causing WU great anxiety and may lead to his resignation. The new cabinet reflects deep-seated Nationalist disunity and military rivalries: the conflict between CHEN and Taiwan Defense Commander SUN Li-jen, in particular, is likely to be further intensified.



Three new Burmese Ministers have been appointed to the Cabinet, including an Anglo-Burman and a Moslem, probably selected to assuage the feelings of minority groups. The new appointees, men of no particular political stature, probably were chosen because of their amenability to Socialist Party dictation and no significant changes in Burmese government policies should be expected.

All political units of Java were merged into a unitary state -- controlled from Jogjakarta by the government of the old Republic of Indonesia -- on 11 March, in accordance with an emergency decree

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signed by USI President Sukarno. It is expected that most of Sumatra and portions of Borneo will join the Jogjakarta Republic in the near future. As a result of this process, considerable tension is reported to be developing in East Indonesia where the establishment of a unitary Indonesian state is being opposed.

UN Assembly President Romulo has indicated that Pakistan, Ceylon, Burma and Thailand are firmly committed to participation in the Baguio conference, tentatively scheduled to meet in late April or early May for consideration of a Southeast Asian union. [REDACTED]

[REDACTED] His proposed agenda includes: (1) the problem of Indochina; (2) Point Four and the UN program of technical assistance; (3) cultural exchange and (4) creation of a permanent secretariat.

Australia's desire for a Pacific defense pact was highlighted by Minister of External Affairs Spender's recent appeal in Parliament for a "defensive military arrangement" among countries which have a vital interest in the stability of Asia and the Pacific and "are capable of undertaking military commitments." Spender suggests that Australia, the UK and other Commonwealth countries form an initial group which would subsequently invite US participation, since the pact "would be rather meaningless without her." Membership would not be limited to the Commonwealth and the UN, according to the Australian proposal, but would be extended to such other countries as might wish to join.

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